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Dairy and Products

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2003

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Report Highlights:
Based on the six months of available production data for 2003, total fluid milk production for total calendar year is expected to be about 7.88 million metric tonnes (MMT), down slightly from calendar year 2002 production of 7.96 MMT. For 2004, Post forecasts that fluid milk production will decrease 7.77 MMT due to lower cows in milk numbers. As a result of lower forecast fluid milk, production of dairy products is expected to be lower in 2004. In 2002, the U.S. continued to be the largest market for Canadian fluid milk exports, with almost 87% of Canadian exports going to the U.S. For 2003, based on eight months of trade data from Statistics Canada, Libya is expected to displace the U.S. as the top export market for Canadian fluid milk.

Includes PSD Changes: Yes
Includes Trade Matrix: No
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[CA]

TABLE OF CONTENTS

SUPPLIES

Production of fluid milk is based on Statistics Canada's volume of milk and cream sold off farms. Based on the six months of available production data for 2003, total fluid milk production for total calendar year is expected to be about 7.88 million metric tonnes (MMT), down slightly from calendar year 2002 production of 7.96 MMT. For 2004, Post forecasts that fluid milk production will decrease 7.77 MMT due to lower cows in milk numbers.

Total cheese production for 2003 decreased by about three percent to 340,000 metric tonnes (MT). Production of variety cheeses (60% of total cheese production) is expected to decrease by about 10% from 2002 levels to 205,000 MT, while cheddar cheese production (40% of total cheese), is expected to increase by about 10% from 2002 levels to 135,000 MT. Slight increases in beginning stocks and imports marginally offset the reduction in cheese production. Total cheese production for 2004 is forecast to drop slightly to 335,000 MT.

Butter production for 2003 is expected to decline slightly relative to 2002 levels to 75,000 MT. A combination of lower production, lower beginning stocks, and a slight reduction in imports reduced total butter supplies in Canada by almost seven percent to 108,000 MT. For 2004, butter production is forecast to decrease as a result of lower fluid milk production available for industrial usage.

Nonfat dry milk production for 2003 is expected to decrease slightly relative to 2002 levels to 80,000 MT. This reduction in production, combined with a 63% reduction in beginning stocks, resulted in nonfat dry milk supplies shrinking by almost 13%. The decrease in supplies will partially be offset by increased exports, according to year-to-date export data from Statistics Canada. For 2004, nonfat dry milk production is forecast to decrease to 78,000 MT.

CONSUMPTION

According to statistics from the Agriculture and Agri-Food Canada's (AAFC) Dairy Section, in 2002, Canadian per-capita milk consumption declined slightly from 86.9 liters of milk to 84.5 liters. Consumption of 3.25% milk accounted for 16%, 2% milk accounted for 47%, 1% milk accounted for 20%, skim milk accounted for 10%, and chocolate milk accounted for six percent of total fluid milk consumption. Canadians have reduced their consumption of higher fat milk by more than one-third during the past 30 years and by just over 25% during the past decade.

In contrast to the trend to low-fat milk, Canadians have increasingly been using more cream in recent years. In 2002, per-capita cream consumption reached 7.2 liters, up 13% from just three years. This growth is in line with the increasing consumption of coffee especially from food service establishments in recent years. Per-capita butter consumption, according to statistics from AAFC, decreased by more than five percent from 3.4 kilograms in 2001 to 3.2 kilograms in 2002.

Per-capita total cheese consumption in 2002 was 11.7 kilograms, up slightly from 2001, but down from 2000 levels. According to AAFC, per-capita cheddar cheese consumption decreased slightly to 3.8 kilograms. Per-capita consumption of specialty cheeses in 2002 increased three percent to 7.1%. Strong demand for prepared foods, convenient shredded cheeses including those blended products used in Italian and Mexican dishes as well as promotional advertising campaigns are factors influencing consumption patterns.

AAFC data indicates that ice cream consumption, which reached its lowest level in four decades in 2000 at 8.8 kilograms, increased in 2002 to 9.7 litres per person, an increase of four percent from 2001 levels. Yogurt has become increasingly popular throughout the last decade due in part to the development of tastier and innovative new products. In 2002, Canadians consumed 5.3 litres of yogurt per person, an 83% increase from a decade ago.

TRADE

In 2002, the U.S. continued to be the largest market for Canadian fluid milk exports, with almost 87% of Canadian exports going to the U.S. For 2003, based on eight months of trade data from Statistics Canada, Libya is expected to displace the U.S. as the top export market for Canadian fluid milk, accounting for approximately 45% (8.8 of 19.2 MT) of Canadian exports. Canada is expected to export 7.6 MT of fluid milk to the U.S., accounting for almost 40% of total fluid milk exports. Taiwan is the third largest single market, at 1.6 MT, or 8% of Canadian fluid milk exports.

In 2002, 56% of Canadian cheese imports were from the European Union (EU-25). Based on year-to-date trade statistics for 2003, the European Union market share of the Canadian cheese imports is expected to remain relatively constant. The U.S. was the second highest supplier of cheese to Canada, increasing its market share of Canadian cheese imports from 21% in 2001 to 24% in 2002. For 2003, U.S. market share of Canadian cheese imports is expected to slip to 23%. For 2003, based on the eight months of trade data from Statistics Canada, total cheese exports from Canada are expected to drop by more than 30% due to reduced supplies. While the U.S. was the top market for exports of Canadian cheese, the estimated volume of cheese exports to the U.S. is expected to decline. However, the smaller Canadian export program for 2003 will result in the U.S. absorbing 43% of total cheese exports. The European Union (EU-25), primarily the United Kingdom, was the second largest market for exports of Canadian cheese, accounting for 37% of Canadian cheese exports.

New Zealand continues to be the single largest butter exporting country to Canada. In 2002, New Zealand butter accounted for almost 68% of total Canadian butter imports. Australia, Uruguay, and the EU-25 will supply about 16%, 7% and six percent of Canadian butter imports, respectively. The U.S. in 2002 was a relatively small supplier of butter to Canada, at just 395 MT, up almost four percent from previous year levels. Based on the available trade data for 2003, New Zealand, the EU-25 and Australia will supply 77%, 16%, and six percent of Canadian butter imports, respectively. For 2003, U.S. market share of Canadian butter imports is expected to drop by over 40% to just 224 MT. Under the Canadian export program for 2002, 92% of Canadian butter was shipped to the U.S. Based on available trade data from Statistics Canada for 2003, it is expected that Canadian butter exports will decline by more than 30%. However, the proportion of butter exports to the U.S. will increase to 98%.

For non-fat dry milk (skim milk powder), New Zealand continued to be Canada's top supplier, accounting for 57% of Canada's total imports in 2002. The U.S. increased its market share of Canadian imports from 24% in 2001 to 39% in 2002. In 2003, New Zealand is expected to capture 73% of Canadian imports of skim milk powder, while the U.S. share of Canadian imports is expected to drop 26%. Under the Canadian export program from 2002, Mexico, the U.S., and the Dominican Republic accounted for 49%, 12%, and 5% of skim milk powder shipments, respectively. According to the statistical data available for 2003, Thailand, Mexico, the Philippines, Indonesia, Cuba, and Chile will be the major markets for Canadian skim milk powder, accounting for 15%, 14%, 10%, 8%, 8%, and six percent of Canadian exports, respectively. The U.S. is expected to absorb just five percent of Canadian skim milk powder exports, down from 2002 levels.

POLICY DEVELOPMENT AND INDUSTRY NEWS

A table at the end of the report lists all reports regarding developments in dairy policy and the dairy industry since the 2003 Dairy Semi-Annual Report.

STATISTICAL TABLES

Table 1: Fluid Milk PS&D

Country	**Canada**					
Commodity	**Dairy, Milk, Fluid**			1000 HEAD)(1000 MT		
	2002 USDA Official [Old]	Revised Post Estimate [New]	2003 USDA Official [Old]	Estimate Post Estimate [New]	2004 USDA Official [Old]	Forecast Post Estimate [New]
Market Year Begin		01/2002		01/2003		01/2004
Cows In Milk	1084	1084	1075	1065	0	1050
Cows Milk Production	7964	7964	7960	7880	0	7770
Other Milk Production	0	0	0	0	0	0
TOTAL Production	7964	7964	7960	7880	0	7770
Intra EC Imports	1	1	1	0	0	0
Other Imports	0	0	0	3	0	5
TOTAL Imports	1	1	1	3	0	5
TOTAL SUPPLY	7965	7965	7961	7883	0	7775
Intra EC Exports	0	0	0	0	0	0
Other Exports	9	9	6	19	0	15
TOTAL Exports	9	9	6	19	0	15
Fluid Use Dom. Consum.	2885	2885	2880	2850	0	2800
Factory Use Consum.	4709	4709	4710	4690	0	4640
Feed Use Dom. Consum.	362	362	365	324	0	320
TOTAL Dom. Consumptio	7956	7956	7955	7864	0	7760
TOTAL DISTRIBUTION	7965	7965	7961	7883	0	7775
Calendar Yr. Imp. from U	0	0	0	3	0	5
Calendar Yr. Exp. to U.S.	8	8	5	5	0	5

Table 2: Cheese PS&D

Country	Canada					
Commodity	Dairy, Cheese				(1000 MT)	
	2002 USDA Official [Old]	Revised Post Estimate [New]	2003 USDA Official [Old]	Estimate Post Estimate [New]	2004 USDA Official [Old]	Forecast Post Estimate [New]
Market Year Begin		01/2002		01/2003		01/2004
Beginning Stocks	49	49	51	52	53	50
Production	335	350	330	340	0	335
Intra EC Imports	0	16	0	14	0	15
Other Imports	28	12	22	12	0	15
TOTAL Imports	28	28	22	26	0	30
TOTAL SUPPLY	412	427	403	418	53	415
Intra EC Exports	0	4	0	4	0	5
Other Exports	17	12	10	7	0	5
TOTAL Exports	17	16	10	11	0	10
Human Dom. Consumptic	344	359	340	357	0	355
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	344	359	340	357	0	355
TOTAL Use	361	375	350	368	0	365
Ending Stocks	51	52	53	50	0	50
TOTAL DISTRIBUTION	412	427	403	418	0	415
Calendar Yr. Imp. from U	7	7	6	7	0	5
Calendar Yr. Exp. to U.S.	6	6	5	5	0	5

Table 3: Butter PS&D

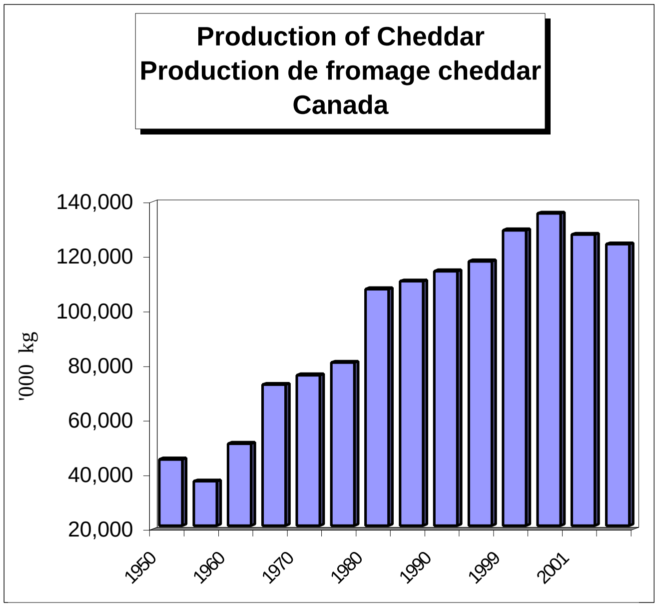
Country	**Canada**					
Commodity	**Dairy, Butter**				(1000 MT)	
	2002 USDA Official [Old]	Revised Post Estimate [New]	2003 USDA Official [Old]	Estimate Post Estimate [New]	2004 USDA Official [Old]	Forecast Post Estimate [New]
Market Year Begin		01/2002		01/2003		01/2004
Beginning Stocks	20	20	13	13	13	13
Production	76	77	70	75	0	70
Intra EC Imports	0	1	0	3	0	5
Other Imports	19	18	25	15	0	20
TOTAL Imports	19	19	25	18	0	25
TOTAL SUPPLY	115	116	108	106	13	108
Intra EC Exports	0	0	0	0	0	0
Other Exports	17	17	15	12	0	15
TOTAL Exports	17	17	15	12	0	15
Domestic Consumption	85	86	80	81	0	80
TOTAL Use	102	103	95	93	0	95
Ending Stocks	13	13	13	13	0	13
TOTAL DISTRIBUTION	115	116	108	106	0	108
Calendar Yr. Imp. from U	0	0	1	0	0	0
Calendar Yr. Exp. to U.S.	15	15	10	11	0	0

Table 4: Nonfat Dry Milk (Skim Milk Powder) PS&D

Country	Canada					
Commodity	Dairy, Milk, Nonfat Dry				(1000 MT)	
	2002 USDA Official [Old]	Revised Post Estimate [New]	2003 USDA Official [Old]	Estimate Post Estimate [New]	2004 USDA Official [Old]	Forecast Post Estimate [New]
Market Year Begin		01/2002		01/2003		01/2004
Beginning Stocks	19	19	7	7	12	7
Production	81	83	80	80	0	78
Intra EC Imports	0	0	0	0	0	0
Other Imports	1	1	3	3	0	5
TOTAL Imports	1	1	3	3	0	5
TOTAL SUPPLY	101	103	90	90	12	90
Intra EC Exports	0	0	0	0	0	0
Other Exports	49	49	35	45	0	40
TOTAL Exports	49	49	35	45	0	40
Human Dom. Consumptic	42	44	40	35	0	40
Other Use, Losses	3	3	3	3	0	3
Total Dom. Consumption	45	47	43	38	0	43
TOTAL Use	94	96	78	83	0	83
Ending Stocks	7	7	12	7	0	7
TOTAL DISTRIBUTION	101	103	90	90	0	90
Calendar Yr. Imp. from U	1	1	1	0	0	1
Calendar Yr. Exp. to U.S.	6	6	2	2	0	2

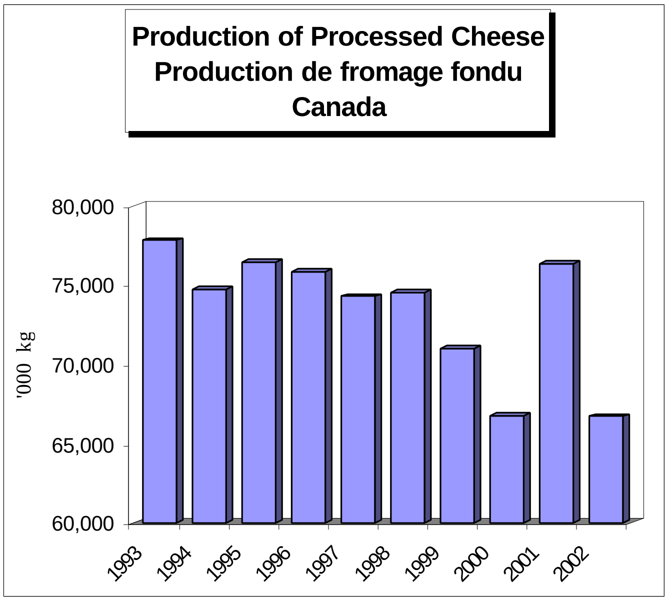
HISTORICAL CHARTS

Chart 1: Historical Cheddar Cheese Production



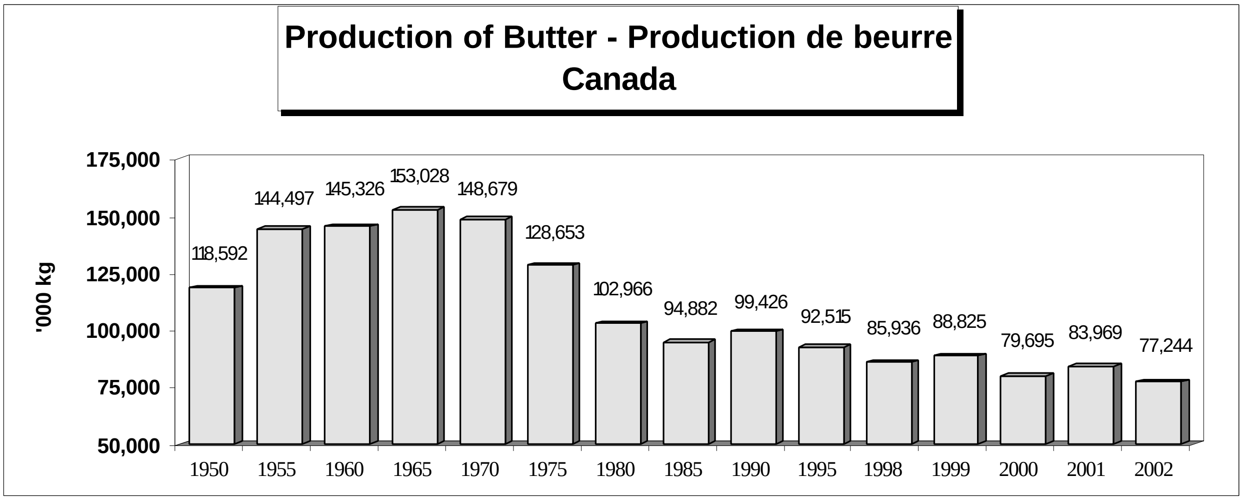
(Source: Agriculture and Agri-Food Canada, Dairy Section)

Chart 2: Historical Processed Cheese Production



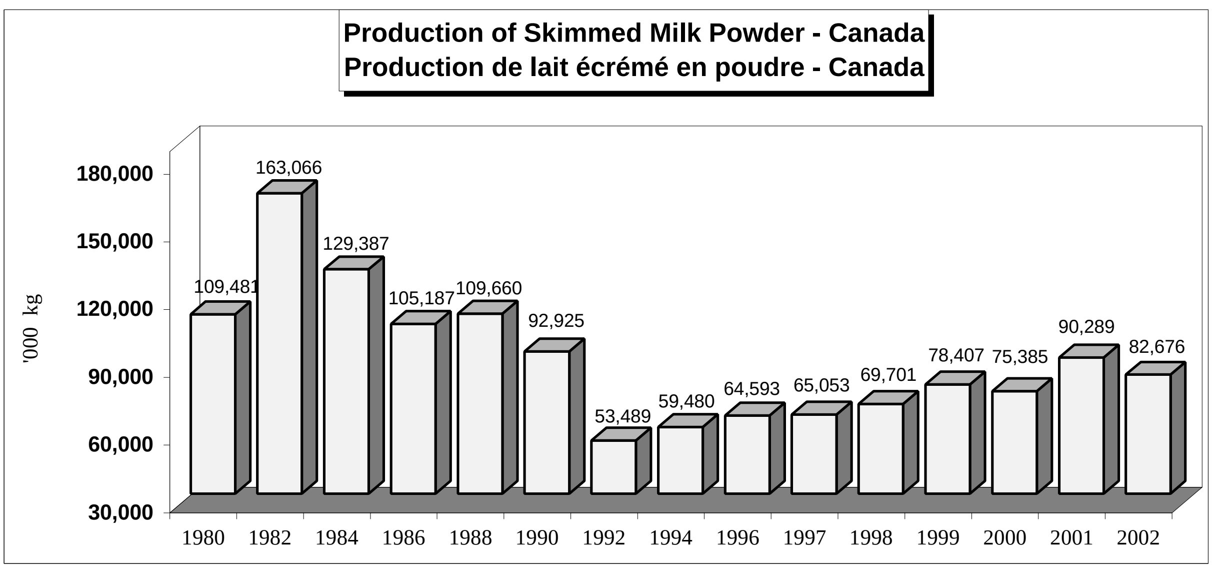
(Source: Agriculture and Agri-Food Canada, Dairy Section)

Chart 3: Historical Butter Production



(Source: Agriculture and Agri-Food Canada, Dairy Section)

Chart 4: Historical Skim Milk Powder Production



(Source: Agriculture and Agri-Food Canada, Dairy Section)

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CA3062	The BSE, Cull Cow Dilemma For Canada	9/29/2003
CA3062	Dairy Farmers Ask For Mad Cow Aid	9/29/2003
CA3062	Saputo To Buy Argentine Dairy Processor	9/29/2003
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CA3060	Angry Cattle Farmers Demonstrate At Parliament	9/16/2003
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CA3055	Livestock Annual	9/05/2003
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CA3051	Highest Ever Cattle Inventory	8/19/2003
CA3051	Ontario Initiates Talks On Establishing National Dairy Export Plan	8/19/2003
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CA3048	Canada Hopeful U.S. "Segregation" System Will Open Border	08/07/2003
CA3048	BSE Restrictions Affecting Dairy Industry	08/07/2003
CA3048	Ontario Considers Mass Cattle Cull	08/07/2003
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CA3047	Ontario Ag Minister Overturns Tribunal Ruling On Milk Exports	7/31/2003
CA3045	New BSE Measures Announced By Government Of Canada	7/23/2003
CA3045	Canada Takes Further Action To Support Domestic Beef Industry	7/23/2003
CA3045	'Years' Till Cattle Ban Is Lifted, Says Senior CFIA Official	7/23/2003
CA3045	Western Canadian Cattle On Feed Numbers Plummet	7/23/2003
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CA3042	Vanclief Rejects Talk Of Retaliatory Trade Action	7/16/2003
CA3042	"Plan B" For Cattle Industry	7/16/2003
CA3042	Dairy Farmers Of Canada Presses For Overturn Of Ontario Court Decision	7/16/2003

CA3040	Prime Minister Presses Japan To Open Its Border To Canadian Beef	7/10/2003
CA3040	Chrétien Urges U.S. To End Beef Ban	7/10/2003
CA3040	Saputo To Close Additional Canadian Cheese Plant	7/10/2003
CA3039	Ban on Canadian Beef Exports Increases Short-Term Demand for Feed Grains	7/08/2003
CA3038	CFIA Releases Report Concluding BSE Investigation	7/03/2003
CA3038	Canada Receives Final BSE Report From International Team Of Experts	7/03/2003
CA3036	Canada Announces C$460 Million In Assistance For Cattle Industry	6/19/2003
CA3035	Canada Tightens Rules On Imports Of Certain Beef From Non-NAFTA Suppliers To Support Domestic Industry During BSE Uncertainty	6/05/2003
CA3034	Canada Considering New Cattle Slaughter Rules	5/29/2003
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